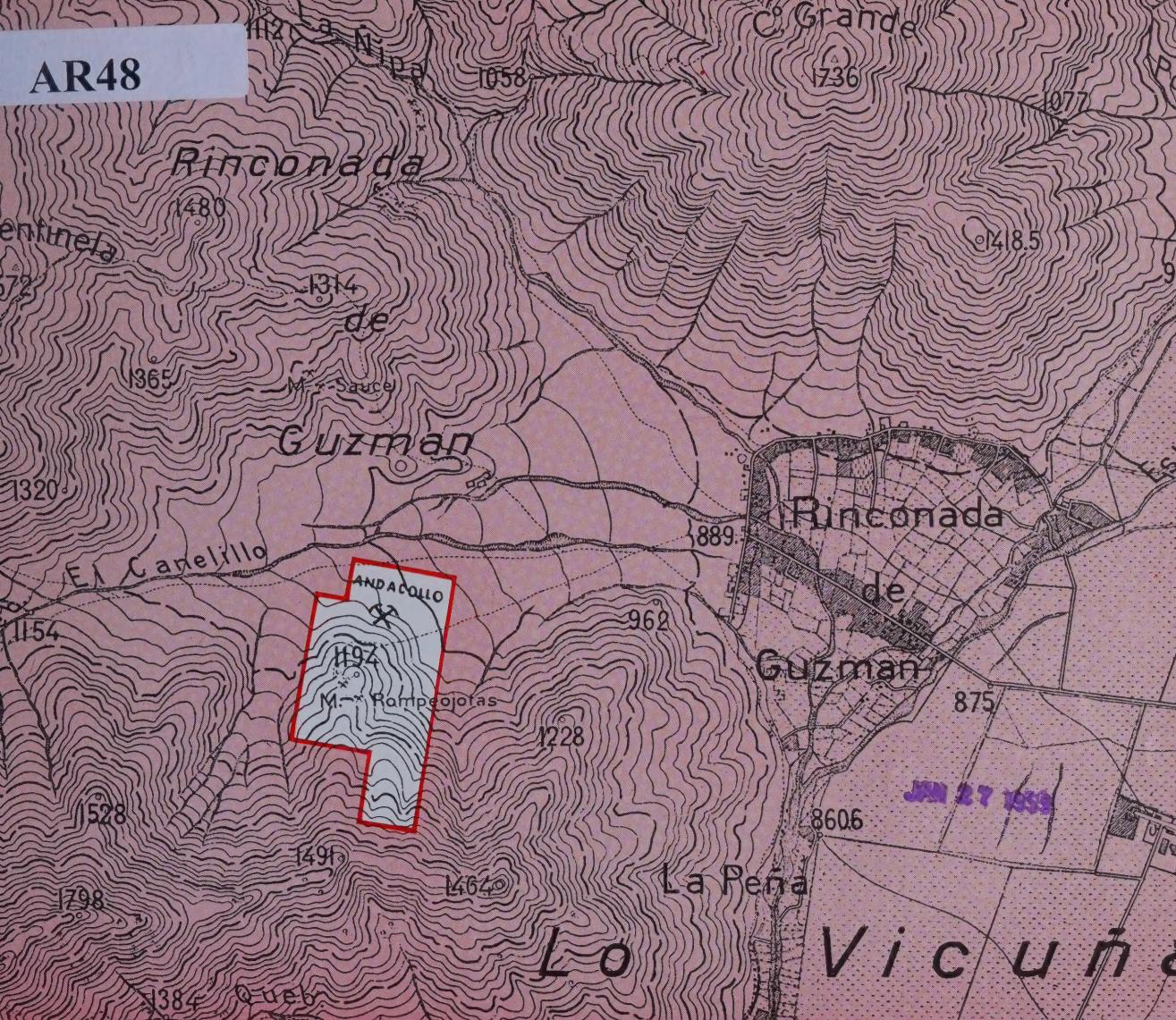


AR48



ANDACOLLO

suite 1507

372 bay street,
toronto, canada

INFORMATIONAL BULLETIN NO. 1

ANDACOLLO MINING COMPANY LTD.

Suite 1507 - 372 Bay Street - EM. 3-3939
TORONTO 1, ONTARIO

Company Report No. 1:

The purpose of this issue is to put into limited production a mine called ANDACOLLO (located near Putaende, in Chile) by raising the sum of \$50,000.

Chile is, of course, one of the major copper producers in the world, and the Putaende region is well known for its mining operations. At the present time some additional \$200,000,000 are being invested in Chile by major Canadian and U.S. interests to increase their mine holdings, both in copper and iron.

The political situation in Chile, as far as foreign mining companies are concerned, is very stable and tax advantages (2% total tax for small mines such as ANDACOLLO); the availability of excellent means of transportation, inexpensive and skillful labor and the likelihood of contracting for mining, processing, trucking on a fixed fee basis, considerably reduces the risks involved in setting up a new mining venture.

There are at least four major consumers who have offered to accept the ANDACOLLO ores and concentrates on a firm basis, and money can be imported and exported at the free rate through The Bank of London & South America, a correspondent of the Bank of Nova Scotia, who will act as the operating Company's bankers in Chile. In addition, an application for investment guarantees has been filed with the International Cooperation Administration, Washington, D.C.

The mine has an historical production record, a great deal of usable underground workings, rather substantial dumps, and the road and underground workings have been cleaned up sufficiently so that operations can be started promptly. The mine has an agreement with the Fantini Mill — 15 miles distant on a major road — for treatment of its ores on a fixed fee basis, and customers such as Philipp Bros., Mauricio Hochschild & Cia., Daiichi Bussan Kaisha, Ltd., and the Caja de Credito Minero, will accept delivery either at the mill or at Valparaiso, some 60 miles distance on the electric railroad.

Engineering reports, referred to in Mr. Twidale's report, show the deposit to be on the order of 135,000 tons semi-proven ore, 300,000 tons probable ore, and 1,000,000 tons of possible ore, and taking into consideration only the first two figures at average grade established, ascribe to it a sales value of \$3,460,000 to \$7,689,000 on the basis of the recoverable minerals.

The investment of \$50,000 should provide sufficient funds to start production within a matter of weeks, on a minimum basis of 2 tons copper concentrates per day. Operations on this basis should yield a profit of minimum \$32,400 — maximum \$69,000 per year, depending on whether 3% or 5% copper is used as a basis, or 24¢ to 27¢ copper as a sales price. Even at the lowest level, and because of favorable circumstances, actual production cost per lb. of copper produced in the concentrate should not exceed 12¢ per lb. of copper.

After the initial start-up, by which we will endeavor to prove the above figures, it is expected that an additional \$50,000 will be raised to increase production to 10 tons of concentrates per day. On the same basis as the above, operations should then yield yearly profits between \$127,000 and \$345,000 —

depending again on price of concentrates and the grade at mill head. Even at the rate of 10 tons concentrates per day, there would be enough ore for ten years of continuous operations.

The operating company in Chile will be known as Compania Minera San Felipe, and Andacollo Mining Co. Ltd., the Canadian company, owns 99% of the authorized share capital of the operating company. The Operating Engineer will be Mr. Juan Rassmuss Jr., a mining engineer with many years experience in copper mining in South America. Compania Minera San Felipe will have three Board members, including the President of ANDACOLLO — Mr. Howard Steven Strouth; Dr. Tomas Menchaca — a distinguished attorney, and three times member of the Chilean Congress; and Don Jose Francisco Urejolla — former President of the Chilean Parliament, President of the Chilean Senate, and for many years Ambassador of the Republic of Chile in many parts of the world. The Superintendent of the processing mill is a metallurgist named Dr. T. Petroff, a graduate of Freiberg University. The Andacollo Board will include Colonel Jack B. Dunn, a distinguished soldier and industrialist, Mr. J. C. Cunningham-Dunlop, an outstanding mining engineer, founder and operator of Canadian Mines, and its President — Howard Steven Strouth — best known in Canada as founder of Stanleigh Uranium Mining Company Limited, a \$35,000,000 enterprise, which, as President and General Manager, he brought from a prospect into production.

ANDACOLLO Mining Company Limited has an authorized capital of 5,000,000 shares without par value. 900,000 shares have been issued as a vendor's consideration. 500,000 Treasury shares are offered the public to yield the treasury \$50,000. Taking into consideration the average estimated profits at \$50,000 per year, this amount would be applicable to the 1,400,000 shares outstanding and represent a yearly yield of approximately 35%. Subsequently it is contemplated that 200,000 additional shares be issued at 25¢ each, bringing the total number of issued shares to 1,600,005 with a possible yield of \$236,000 average per year — equivalent to approx. 14.7¢ yearly income for each share issued.

The Company has set itself at first a limited, relatively easily achieved goal, but this does not exclude that, at some future date — having achieved its original objective — it would be disinclined to work on a substantially larger scale, including the acquisition of a mill and the possible addition of other mines to its holdings.

HOWARD STEVEN STROUTH,

President.

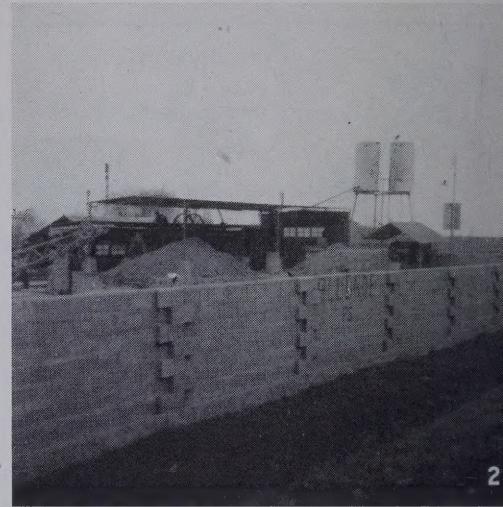
Dated: November 1, 1958.



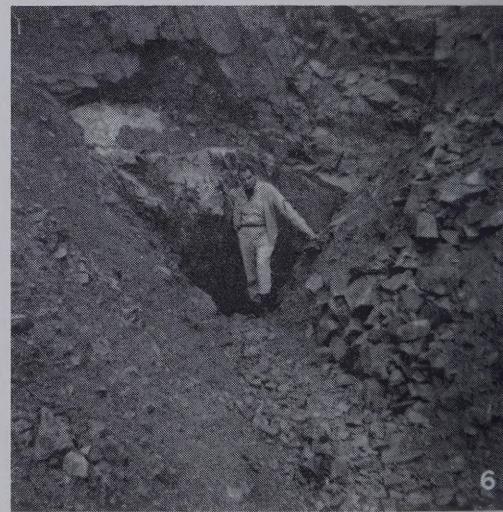
(1) L. to R. Dr. Tomas Menchaca, Andacollo's Chilean attorney, and Andacollo's President Howard Steven Strouth in Santiago. July 1958.



(5) Access road to mine — see monument in front of entrance to Esperanza tunnel (arrow).



(2-3-4) The Fantini



6

(9 and 10) Dump from previous operations and freshly broken ore.

7



3



4

Processor at San Felipe where ANDACOLLO ore will be treated (observe power line).



7



8

View of the tunnels from which ore has been extracted.



9



10

CALCULATIONS

I. ESTIMATED PRODUCTION COSTS

	Dollars per Ton
COST OF MINING , according to Dr. Rassmuss	
Assuming extraction of 10 tons per meter advance 2m x 1.80m including 2 additional workmen to hoist ore and incl. compressor rental, drills and materials	\$ 2.50
(Dr. Rassmuss states that this figure might be reduced by 30% through use of CORTEX for blasting.)	
TRUCKING TO MILL (might eventually be reduced by 10-20%)	1.00
MILLING (according to letter of Fantini Mill) Dr. Rassmuss' calculation — \$4.20	4.00
APPLIED SHIPPING COST TO VALPARAISO \$3.50 per ton of concentrate — max.	0.35
	<u>\$ 7.85</u>
Plus 2% Chilean Tax, overhead, amortization, and contingencies. Estimated Total 20%	1.57
TOTAL COST PER TON	<u>\$ 9.42</u>
ALLOWED FOR CALCULATION PURPOSES	<u>\$ 10.45</u>

Dr. Rassmuss' calculation on cost \$9.45. Mr. Twidale's calculation \$8.50 per ton.

II. PROJECTED YEARLY PROFITS

Daily production 2 tons 50% copper concentrates resulting from 22 tons 5% Cu at mine head	
Cost as per previous calculations 22 tons	\$ 230.00
Payment for 2 tons concentrates \$200 each	400.00
	<u>\$ 170.00</u>
Daily Profit	\$ 170.00
Profit on 300 day-year, basis 24¢ copper	\$ 51,000 p.a.
Profit on 300 day-year, basis 27¢ copper (\$18,000 additional)	<u>\$ 69,000 p.a.</u>
Daily production 2 tons 50% copper concentrates resulting from 37 tons 3% Cu at mine head	
Cost as per Rassmuss report reduced by lower mining cost (no selective mining pattern)	\$ 292.00
Payment for 2 tons concentrates \$200 each	400.00
	<u>\$ 108.00</u>
Daily Profit	\$ 108.00
Profit on 300 day-year, basis 24¢ copper	\$ 32,400 p.a.
Profit on 300 day-year, basis 27¢ copper (\$18,000 additional)	<u>\$ 50,400 p.a.</u>
If production is increased to 5 tons concentrates per day at 24¢ copper, yearly estimated profits for 5% mine grade	\$ 127,500 p.a.
For 10 tons concentrates daily	\$ 255,000 p.a.
At 27¢ copper price, 5 tons would yield	\$ 172,500 p.a.
10 tons daily	<u>\$ 345,000 p.a.</u>
If production is increased to 5 tons concentrates per day at 24¢ copper, yearly estimated profits for 3% mine grade	\$ 81,000 p.a.
For 10 tons concentrates daily	\$ 162,000 p.a.
At 27¢ copper price, 5 tons would yield	\$ 126,000 p.a.
10 tons daily	<u>\$ 207,000 p.a.</u>

III. SALES

Offers to purchase production, were received from the following:

CAJA DE CREDITO MINERO	...	\$169.20	(including certain tax payments)
PHILIPP BROS. INC.	.....	\$200.00	(bulk shipment FOB steamer)
MAURICIO HOCHSCHILD & CIA	...	\$207.04	(at S. Felipe with freight to Valparaiso already deducted)
DAICHI BUSSAN KAISHA, LTD.	...	\$226.75	(including insurance to Japan)

On the basis of the above, our base price idea of \$200.00 per ton seems well substantiated. For the time being shipments to the Caja would be restricted to high grade, UNCONCENTRATED ore found on the property, exceeding 10% Cu but lower than 30% Cu.

IV. PROJECTED POTENTIAL OF DEPOSIT

Semi-proven minimum tonnage			
135,000 tons assuming 5% Cu, 60 gr. Ag, 0.15 gr. Au at prices July, 1958			
13,500,000 lbs. Cu at 25¢	.....		\$3,375,000
8,100,000 gr. Ag	.....		64,800
20,250 gr. Au	.....		20,250
Value of recoverable minerals			\$3,460,050
Probable tonnage, 300,000 tons			
30,000,000 lbs. Cu at 25¢	.....		\$7,500,000
18,000,000 gr. Ag	.....		144,000
45,000 gr. Au	.....		45,000
			\$7,689,000

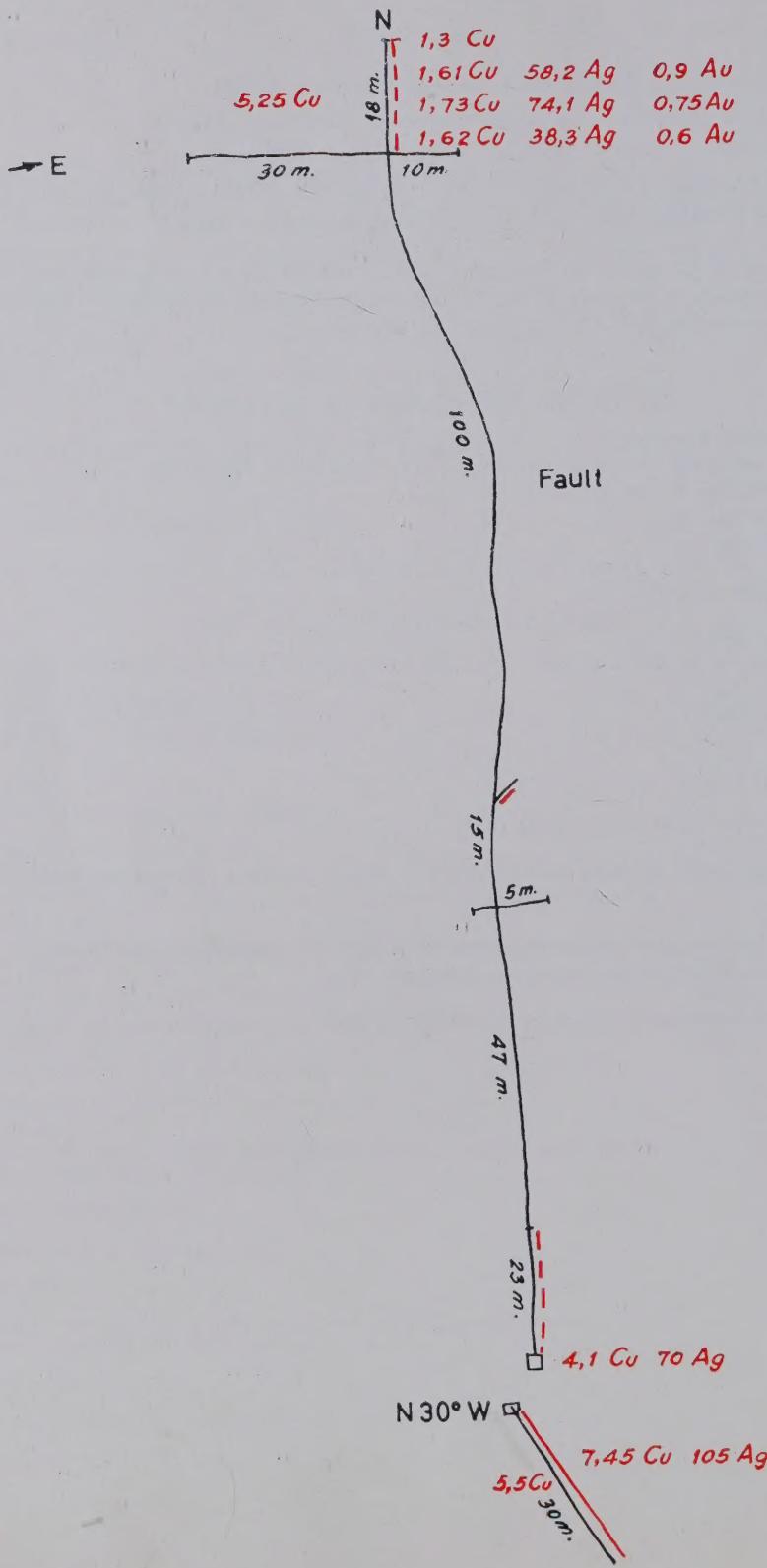
This refers only to the known sector of the mine.

At 50 tons daily production at mine level 300,000 tons would provide a 20 years ore supply for the mill.

Dr. Rassmuss in his closing paragraph refers to the possibility of developing the Northern Extension to increase tonnage possibly to 1,000,000 tons.

His report states that substantial quantities of 6% Cu ore have been found and can be mined selectively.

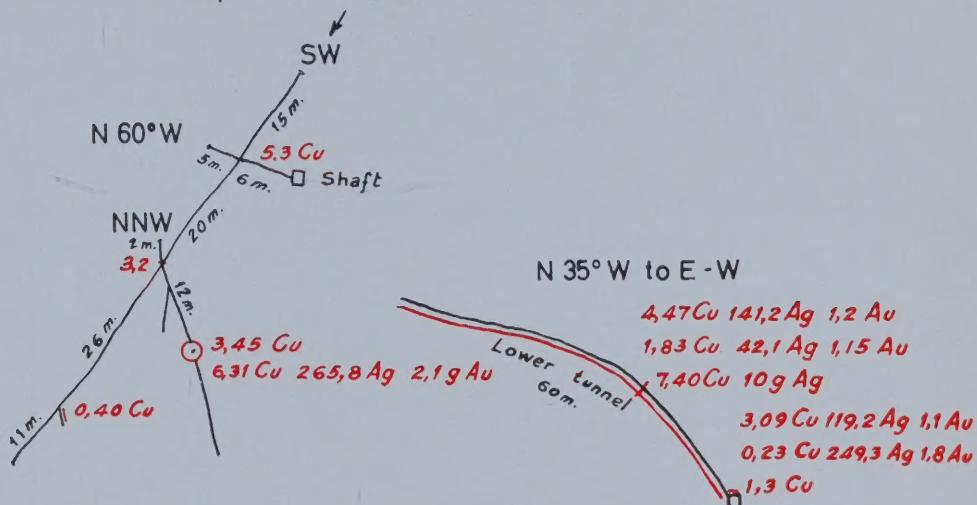
CENIZA TUNNEL



SKETCH MAP OF ANDACOLLO TUNNELS

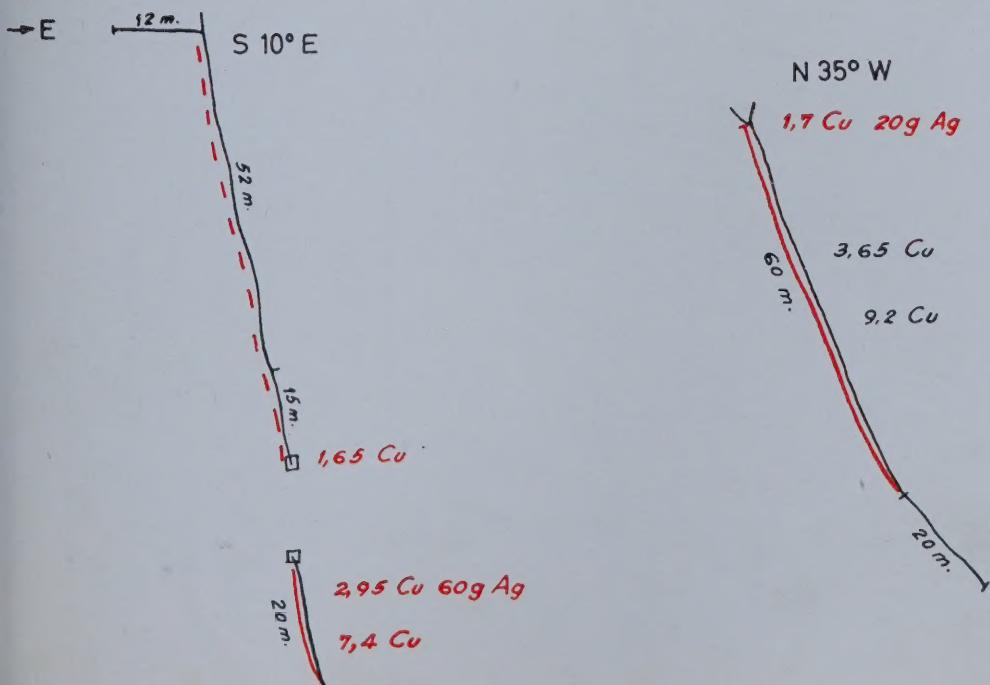
The red lines indicate exposures of ore

Esperanza tunnels



Santa Rosa adit

Almendro tunnel



Mensura pertenencias de cobre, oro y plata

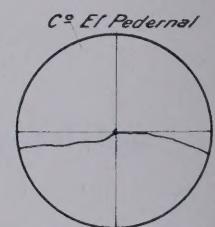
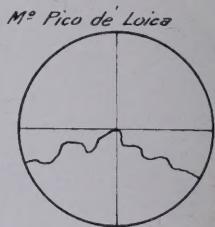
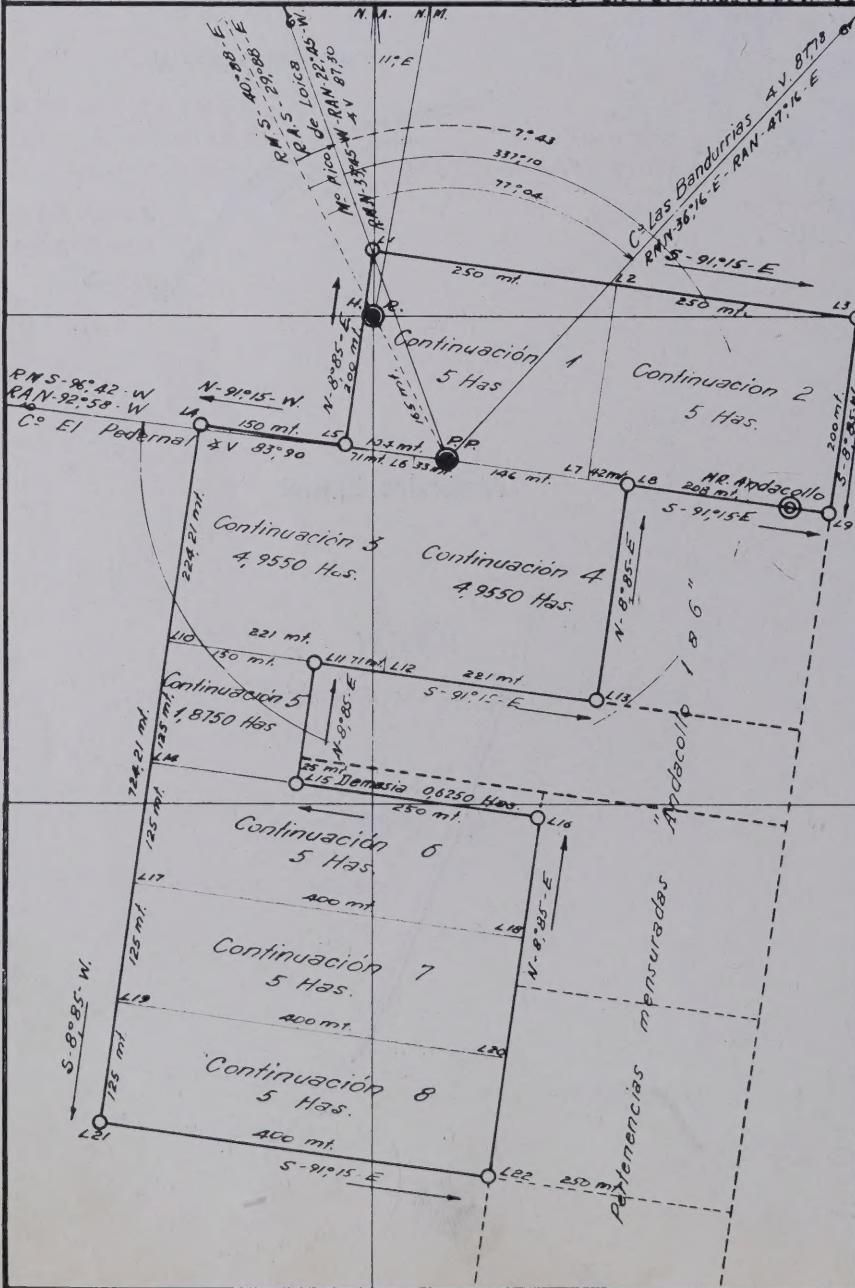
Continuación 1a 8

del Sr. Juan Ferrari Ivani
Rinconada de Guzmanes - Comuna de Putaendo
Deplo. San Felipe - Prov. Aconcagua
Graduación Centesimal derecha
Declinación Magnética 11°-E

Escala 1 a 5.000

Abril 26 de 1958.

Hector Melo Gorrigón, Ing. Civil de Minas (U. de Chile)



Coordenadas.

Puntos	Latitud	Longitud
HR	2.000,00	2.000,00
PP	1.852,82	2.074,63
L1	2.065,32	1.999,55
L2	2.030,68	2.246,94
L3	1.996,04	2.494,53
L4	1.888,04	1.823,09
L5	1.867,25	1.971,64
L6	1.857,41	2.041,95
L7	1.832,61	2.219,24
L8	1.826,79	2.260,83
L9	1.797,97	2.466,82
L10	1.665,99	1.792,02
L11	1.645,20	1.940,57
L12	1.635,36	2.010,88
L13	1.604,74	2.229,75
L14	1.542,20	1.774,70
L15	1.521,41	1.923,25
L16	1.486,77	2.170,84
L17	1.418,41	1.757,38
L18	1.362,98	2.153,52
L19	1.294,62	1.740,06
L20	1.239,19	2.136,20
L21	1.170,83	1.722,74
L22	1.115,40	2.118,88